

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service)	Application No. NUSF-50
Commission, on its Own Motion, to Make)	Progression Order No. 1
Adjustments to the Universal Service Fund)	
Mechanism Established in NUSF-26.)	

COMMENTS ON STAFF PROPOSAL OF
CITIZENS TELECOMMUNICATIONS COMPANY OF NEBRASKA
d/b/a FRONTIER COMMUNICATIONS OF NEBRASKA

Citizens Telecommunications Company of Nebraska, d/b/a Frontier Communications of Nebraska (“Frontier”) appreciates the opportunity to comment on the Staff Proposal released by the Nebraska Public Service Commission (“Commission”) in Progression Order #1, Application No. NUSF-50. The Order Releasing Staff Proposal, issued by the Commission on July 18, 2006 (“July 18th Order”), sought input on the Staff Proposal that contemplates possible modification of the Nebraska Universal Service Fund (“NUSF”) mechanism in light of the Commission’s decision to reduce the NUSF surcharge from 6.95 percent to 5.75 percent of intrastate retail revenues on telecommunications services.

In this filing, Frontier will comment on several of the issues raised in the Staff Proposal and offer recommendations.

I. INTRODUCTION

The Staff Proposal requests recommendations on how to keep the NUSF “sustainable, sufficient and predictable.” Frontier feels that the best way to accomplish this is to keep changes to the NUSF simple and understandable. Frontier proposes 1) implementation of an across-the-board reduction in funding which is consistent for all companies receiving NUSF support rather than picking winners and losers by tweaking the funding mechanism; and 2) increasing the residential benchmark rate to \$18.50 and imputing the higher rate to all carriers. It is also

unclear from the Staff Proposal when the Commission would implement the changes proposed by Staff. It is Frontier's assumption that none of these changes would be implemented any earlier than January 2007; however, Frontier requests that Staff clarify this point.

II. DEDICATED WIRELESS PROGRAM - Staff Proposal I.

The Staff Proposal calls for a dedicated wireless infrastructure program beginning in January of 2008. The size of the wireless support would be 5 million dollars annually that would grow by 4 percent a year to a cap of 10 million dollars. Frontier asserts that any pool of dollars that is reserved for a wireless program should be viewed as a cap—it does not necessarily need to be the amount distributed. If there are not enough eligible companies or projects to claim program dollars, the mechanism should call for that money to remain in the Fund rather than be distributed.

III. WIRELINE HIGH-COST - Staff Proposal III.

Frontier agrees with the Staff proposal to keep the surcharge at 5.75 percent. Frontier feels the \$20 to \$25 million reduction in the wireline high cost fund should be accomplished by increasing the benchmark rate (see IV below) and spreading any remaining shortfall proportionately among all carriers receiving funding. This straightforward across-the-board reduction is more predictable than having the funding mechanism tweaked every time there is a shortfall. It eliminates the “winners” and “losers” that may be created by adjusting certain aspects of the Fund and provides for an equitable mechanism for assuring the fund will always remain balanced.

IV. BENCHMARK - Staff Proposal VI.

Frontier supports a \$1.00 increase to the statewide benchmark to \$18.50 for residential basic local exchange service. Companies can either increase the rate or have the increase

imputed. This will raise the earnings of carriers receiving NUSF funding and thereby reduce the funding requirement. This would in effect be the cost recovery mechanism that is currently missing from the Staff Proposal.

The Staff Proposal also contemplates the establishment of a rural and urban benchmark rate. Though the new benchmark numbers are not known, Frontier is concerned that the removal of the large urban areas from the statewide average will dramatically raise the rural benchmark rate and put rural customers at risk of large rate increases. Frontier suggests a cap of \$2.00 for any rate increases made or imputed.

V. CONCLUSION

Frontier seeks clarification that the money set aside for a wireless infrastructure program serves as the cap rather than the amount to be distributed and offers its recommended changes: 1) implement an across-the-board reduction in funding which is consistent for all companies receiving NUSF funding; and 2) increase the residential benchmark rate to \$18.50 and impute the higher rate to all carriers. This methodology assures that the NUSF funding mechanism will not require further modification for the foreseeable future.

Respectfully submitted this 16th day of August, 2006.



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